

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

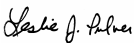
YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 		Printed Name		License Number

**CHARTER COUNTY OF WAYNE, MICHIGAN  
BUILDING AUTHORITY  
(A Component Unit of the Charter County of Wayne, Michigan)**

Basic Financial Statements

September 30, 2006

(With Independent Auditors' Report Thereon)

**CHARTER COUNTY OF WAYNE, MICHIGAN**  
**BUILDING AUTHORITY**  
**(A Component Unit of the Charter County of Wayne, Michigan)**  
September 30, 2006

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## **Independent Auditors' Report**

To the Board of Commissioners and the County Executive  
Charter County of Wayne, Michigan:

We have audited the accompanying basic financial statements of the governmental activities and each fund of the Wayne County Building Authority (the Authority), a blended component unit of the Charter County of Wayne, Michigan, as of and for the year ended September 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each fund of the Authority of the Charter County of Wayne, Michigan as of September 30, 2006, and the respective changes in financial position for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 30, 2007 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Authority has not presented a Management's Discussion and Analysis, which U.S. generally accepted accounting principles have determined is necessary to supplement, although not required to be part of, the basic financial statements.

The Budgetary Comparison Schedule on page 20 and the Notes to the Required Supplementary Information on page 21 are not a required part of the financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Plante & Moran, PLLC*

March 30, 2007

**CHARTER COUNTY OF WAYNE, MICHIGAN**  
**BUILDING AUTHORITY**  
**(A Component Unit of the Charter County of Wayne, Michigan)**  
Statement of Net Assets  
As of September 30, 2006

	<b><u>Governmental Activities</u></b>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash and investments (note 2)	\$ 9,704,428
Accounts receivable	17,563
Accrued interest receivable	1,686,274
Current portion of leases receivable (note 3)	<u>9,860,000</u>
Total current assets	21,268,265
Non-current assets:	
Leases receivable - net of current portion (note 3)	77,925,000
Bond issuance costs, net (note 5)	<u>1,502,368</u>
Total non-current assets	<u>79,427,368</u>
<b>Total assets</b>	<b><u>\$ 100,695,633</u></b>
<b>Liabilities:</b>	
Current liabilities:	
Accounts and contracts payable	\$ 6,856
Accrued interest payable	1,686,274
Current portion of long-term obligations (note 5)	<u>9,860,000</u>
Total current liabilities	11,553,130
Non-current liabilities:	
Non-current portion of long-term obligations (note 5)	<u>74,624,315</u>
<b>Total liabilities</b>	<b><u>86,177,445</u></b>
<b>Net Assets:</b>	
Restricted:	
Debt service	5,940,049
Capital projects	3,775,086
Unrestricted	<u>4,803,053</u>
<b>Total net assets</b>	<b><u>14,518,188</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 100,695,633</u></b>

See accompanying notes to the basic financial statements.

**CHARTER COUNTY OF WAYNE, MICHIGAN**  
**BUILDING AUTHORITY**  
(A Component Unit of the Charter County of Wayne, Michigan)  
Statement of Activities  
For the Year Ended September 30, 2006

	<u><b>Governmental Activities</b></u>
<b>Program expenses:</b>	
Contractual services	\$          45
Interest and amortization expense	<u>5,623,636</u>
<b>Total program expenses</b>	<u>5,623,681</u>
 <b>Program revenue:</b>	
Charges for services	<u>5,217,215</u>
 <b>Net program revenue</b>	<u>(406,466)</u>
 <b>General revenue:</b>	
Interest income	586,205
<b>Transfers (note 4)</b>	<u>(3,246,098)</u>
<b>Total general revenue and transfers</b>	<u>(2,659,893)</u>
 <b>Change in net assets</b>	(3,066,359)
<b>Net assets at October 1, 2005</b>	<u>17,584,547</u>
<b>Net assets at September 30, 2006</b>	<u><u>\$  14,518,188</u></u>

See accompanying notes to the basic financial statements.

**CHARTER COUNTY OF WAYNE, MICHIGAN**  
**BUILDING AUTHORITY**  
**(A Component Unit of the Charter County of Wayne, Michigan)**  
Balance Sheet  
Governmental Funds  
As of September 30, 2006

<b>Assets</b>	<b>General Operating Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
Equity in pooled cash and investments (note 2)	\$ -	5,932,973	3,771,455	\$ 9,704,428
Accounts receivable	-	13,932	3,631	17,563
	<u>-</u>	<u>13,932</u>	<u>3,631</u>	<u>17,563</u>
Total assets	<u>\$ -</u>	<u>5,946,905</u>	<u>3,775,086</u>	<u>\$ 9,721,991</u>
<b>Liabilities and Fund Balances</b>				
Liabilities :				
Accounts payable	\$ -	6,856	-	\$ 6,856
	<u>-</u>	<u>6,856</u>	<u>-</u>	<u>6,856</u>
Fund balances:				
Reserved for capital projects	-	-	3,775,086	3,775,086
Reserved for debt service	-	5,940,049	-	5,940,049
	<u>-</u>	<u>5,940,049</u>	<u>-</u>	<u>5,940,049</u>
Total fund balances	<u>-</u>	<u>5,940,049</u>	<u>3,775,086</u>	<u>9,715,135</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>5,946,905</u>	<u>3,775,086</u>	<u>\$ 9,721,991</u>

See accompanying notes to the basic financial statements.



**CHARTER COUNTY OF WAYNE, MICHIGAN**  
**BUILDING AUTHORITY**  
**(A Component Unit of the Charter County of Wayne, Michigan)**  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
As of September 30, 2006

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Fund balances - total governmental funds		\$ 9,715,135
Capital lease and related accrued interest receivables are not current financial resources and therefore are not reported in the governmental funds.		89,471,274
Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund		
Bond issuance costs	\$ 3,048,473	
Less accumulated amortization	<u>(1,546,105)</u>	1,502,368
Long term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental fund		
Governmental long term debt payable	\$ (87,785,000)	
Bond discounts	965,759	
Accrued interest payable	(1,686,274)	
Loss on refunding	<u>2,334,926</u>	<u>(86,170,589)</u>
Net assets of governmental activities		<u><u>\$ 14,518,188</u></u>

See accompanying notes to the basic financial statements.

**CHARTER COUNTY OF WAYNE, MICHIGAN**  
**BUILDING AUTHORITY**  
(A Component Unit of the Charter County of Wayne, Michigan)  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended September 30, 2006

	<b>General Operating Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
Revenues:				
Building rents	\$ -	14,735,548	-	\$ 14,735,548
Interest income	-	300,593	285,612	586,205
Total revenues	-	15,036,141	285,612	15,321,753
Expenditures:				
Contractual services	45	-	-	45
Debt service:				
Principal	-	9,340,000	-	9,340,000
Interest	-	5,400,548	-	5,400,548
Total expenditures	45	14,740,548	-	14,740,593
Excess (deficiency) of revenues over (under) expenditures	(45)	295,593	285,612	581,160
Other financing uses - transfers out	-	-	(3,246,098)	(3,246,098)
Net change in fund balances	(45)	295,593	(2,960,486)	(2,664,938)
Fund balances at October 1, 2005	45	5,644,456	6,735,572	12,380,073
Fund balances at September 30, 2006	\$ -	5,940,049	3,775,086	\$ 9,715,135

**CHARTER COUNTY OF WAYNE, MICHIGAN**  
**BUILDING AUTHORITY**  
**(A Component Unit of the Charter County of Wayne, Michigan)**  
Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2006

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds		\$ (2,664,938)
Governmental funds report building rental principal and accrued interest received as revenue in the year collected. However, in the Statement of Activities the revenue was reported in prior years upon project completion and principal collected reduces the lease receivable		(9,518,333)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces bonds payable in the Statement of Net Assets.		9,340,000
Expenses in the Statement of Activities that do not require the use of current financial resources are not reported in governmental funds:		
Change in accrued interest expense	\$ 178,333	
Amortization of current year loss on refunding	(186,794)	
Amortization of current year bond discounts	(81,613)	
Amortization of current year bond issuance costs	(133,014)	(223,088)
		<u>(223,088)</u>
Change in net assets of governmental activities		<u>\$ (3,066,359)</u>

See accompanying notes to the basic financial statements.

**CHARTER COUNTY OF WAYNE, MICHIGAN**  
**BUILDING AUTHORITY**  
**(A Component Unit of the Charter County of Wayne, Michigan)**  
Notes to the Basic Financial Statements  
For the year ended September 30, 2006

**(1) Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Wayne County Building Authority (the Authority), a blended component unit of the Charter County of Wayne, Michigan (the County), was created in 1961 under provisions of Act No. 31, Public Acts of Michigan, Extra Session of 1948, as amended. All revenues or other funds received by the Authority must be disbursed for specific purposes in accordance with agreements with the County and the holders of the Authority's bonds. The financial statements of the Authority reflect the operations associated with the acquisition, furnishing, equipping, owning, improvement, enlarging, operation, and maintenance of buildings and building sites for lease to, and eventual ownership by, the County. These financial statements represent the Authority and are not intended to present the financial position and results of operations of the County in conformity with accounting principles generally accepted in the United States of America. The financial statements of the Authority have been included in the County's comprehensive annual financial report and reported as special revenue, debt service and capital projects funds. These financial statements, along with the County's Comprehensive Annual Financial Report can be obtained by contacting the Department of Management and Budget at 600 Randolph, Detroit, MI 48226.

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

**Government-Wide Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place.

The government-wide Statements of Net Assets and Statement of Activities report the overall financial activity of the Authority. Governmental activities are financed through intergovernmental revenues.

The Statement of Activities presents a comparison between direct expenses and program revenues for the Authority's governmental activities. Program revenues include charges paid by the recipients of goods or services offered by the programs. Revenues that are not classified as program revenues are presented as general revenues.

**Fund Financial Statements**

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within sixty days of the end of the current fiscal year. Interest and rents, and charges for services are

**CHARTER COUNTY OF WAYNE, MICHIGAN**  
**BUILDING AUTHORITY**  
**(A Component Unit of the Charter County of Wayne, Michigan)**  
Notes to the Basic Financial Statements  
For the year ended September 30, 2006

**(1) Summary of Significant Accounting Policies, continued**

susceptible to accrual. Other receipts become measurable and available when cash is received by the Authority and are recognized as revenue at that time. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt are recorded when payment is due. Proceeds of long-term debt are reported as other financing sources.

Administrative overhead charges are included in direct expenses.

The accounts of the Authority are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

The financial statements of the Authority include the following fund types:

**Governmental Funds**

- General Operating Fund – This fund accounts for all financial resources and expenditures except those required to be accounted for in another fund, and represents the Authority's General Operating Fund.
- Debt Service Fund – This fund is used to record the financial resources and payment of principal and interest on bonds.
- Capital Projects Fund – This fund is used to account for the acquisition and/or construction of major capital facilities.

**C. Assets, Liabilities, and Net Assets or Equity**

***Building Rent Revenue*** – Lease payments are collected from the County to satisfy the rent obligations under all of the project leases. Lease transactions are accounted for as direct financing leases by the Authority whereby the present value of the future lease payments is recorded as a lease receivable using the interest rate implicit in the lease. Building rent revenue is recognized in the fund financial statements as the principal and interest are collected. In the government-wide financial statements, the entire principal portion of the lease is recognized as revenue upon completion of the project and interest is recognized as it is collected.

***Bond Discounts, Loss on Refunding, and Issuance Costs*** - In the government-wide financial statements, bond discounts, loss on refunding, and bond issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond discounts and loss on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

**CHARTER COUNTY OF WAYNE, MICHIGAN**  
**BUILDING AUTHORITY**  
**(A Component Unit of the Charter County of Wayne, Michigan)**  
Notes to the Basic Financial Statements  
For the year ended September 30, 2006

**(1) Summary of Significant Accounting Policies, continued**

In the fund financial statements, governmental fund types recognize bond discounts and bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***Fund Balance Reserves and Designations*** - In addition to the reserve for debt service and capital projects, the Authority may reserve or designate fund balances to reflect resources segregated for future use and not available for appropriation or expenditure. As of September 30, 2006, there are no such reserves or designations.

***Net Assets*** - The government-wide financial statements utilize a net asset presentation. Net assets are typically categorized as invested in capital assets (net of related debt), restricted and unrestricted. The Authority's restricted net assets consist of constraints placed on net asset use externally imposed by creditors through debt agreements, and unspent bond proceeds on capital projects. The remaining net assets represent unrestricted liquid assets.

***Interfund Transactions*** - Interfund transactions include the following:

- a. Services provided and used – sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.
- b. Reimbursements – repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.
- c. Transfers – flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

***Cash and Investments*** - Cash resources of the Authority are pooled and invested. Interest on pooled investments is allocated among the respective funds based on average investment balances. Securities traded on national and international exchanges are valued at last reported sales price at current exchange rates, which represent fair value. Mortgages are valued on the basis of future principal and interest payments and are discounted at the prevailing interest rates for similar instruments. Investments that do not have an established market are reported at estimated fair market value. Gains or losses on investments sold or exchanged are recognized when the transactions are completed, which approximates their settlement dates.

**CHARTER COUNTY OF WAYNE, MICHIGAN**  
**BUILDING AUTHORITY**  
**(A Component Unit of the Charter County of Wayne, Michigan)**  
Notes to the Basic Financial Statements  
For the year ended September 30, 2006

**(1) Summary of Significant Accounting Policies, continued**

*Use of Estimates* - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(2) Cash and Investments**

State statutes (Public Act 20 of 1943, as amended) place limitations on the nature of deposits and investments available to the County. Deposits include demand deposits, money markets, and certificates of deposits in federally insured banks, credit unions and savings and loan associations. Statutes authorize the County to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, external investment pools (organized under Public Act 367 or 121) and mutual funds composed of otherwise legal investments (except those with fluctuating per share value).

The investment policy adopted by the County, in accordance with Public Act 20 of 1943, as amended authorizes investments in U.S. Treasuries, agencies, and instrumentalities, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings bank, or savings and loan association that is a member of the FDIC. The treasurer may invest in commercial paper (rated A2/P2 or above), repurchase agreements, and bankers' acceptances. Investment pools organized under the Urban Cooperation Act of 1967, PA 7, MCL 124.501 to 124.512, under the local government investment pool Act of 1985, PA 121, MCL 129.141 to 129.150 and investment pools organized under the surplus funds investment act, 1982 PA 367, MCL 129.111 to 129.118 are also permitted. Investments may also be made in mutual funds registered under the investment company Act of 1940 Title I of Chapter 686, 54 stat. 789, 15 U.S.C. 80A-1 to 80A-3 and 80A-4 to 80A-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation, which maintain a rating of AAA or better by a nationally recognized statistical rating agency or that maintain a net \$1.00 share value. The foremost objective of the investment policy is the safety of investment principal.

The County's cash and investments are subject to several types of risk, which are discussed in more detail below.

**Credit Risk** - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In compliance with State law, the County's investment policy limits investments of commercial paper to the two highest classifications established by not less than two standard rating services, and which mature not more than 270 days after the date of purchase. As of year-end, the credit quality ratings of investments (other than the U.S. government) are as follows for the primary government (non-fiduciary):

**CHARTER COUNTY OF WAYNE, MICHIGAN**  
**BUILDING AUTHORITY**  
**(A Component Unit of the Charter County of Wayne, Michigan)**  
Notes to the Basic Financial Statements  
For the year ended September 30, 2006

**(2) Cash and Investments, continued**

Investment	Fair Value	Rating	Organization
Money market funds	\$ 1,937,767	Not Rated	PA 367 Fund
Money market funds	11,582,964	Not Rated	\$1 per share
Money market funds	46,430,956	AAAm	S&P
Money market funds	49,155,842	AAAm-G	S&P
Money market funds	146,788	AAA-V1	Fitch
Commercial paper	15,913,626	A-2, P-2	S&P, Moody's
Commercial paper	5,375,368	A-1, P-1	S&P, Moody's

*Custodial Credit Risk of Bank Deposits* – Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the government's deposits may not be recovered. The County's investment policy requires that deposits over the \$100,000 insured limit in a commercial bank shall not equal more than 25% of the combined capital and surplus of that bank, savings bank, or savings and loan association and that institution must meet minimum standards of at least one standard rating service. If deposits in a credit union exceed the \$100,000 insured limit, that institution must meet the minimum standards of at least one standard rating service. At year-end, the primary government (non-fiduciary) had \$179,098,274 of bank deposits (primarily demand deposits and certificates of deposit) with a carrying value of \$159,825,695, that were largely uninsured and uncollateralized. The County believes that due to the dollar amount of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the government evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with acceptable levels of estimated risk are used as depositories.

*Custodial Credit Risk of Investments* – Custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government and are held by either the counterparty, or the counterparty's trust department or agent, but not in the County's name.

The County's investment policy requires that bonds, securities, and obligations of the United States or an agency or instrumentality or the United States must be held in the name of the County treasurer, be purchased using the delivery versus payment procedure, and be held in third party safekeeping. Commercial paper should either be purchased directly from the issuing corporation, or be held in safekeeping by a third party institution. At year-end, none of the County's investments were subject to custodial credit risk due to one of the following:

- Investments were held by a third-party safe-keeper in the County's name,
- Investments were held by a trustee in the County's name,
- Investments were part of a mutual fund.

*Concentration of Credit Risk* – Concentration of credit risk is the risk of loss attributable to the magnitude of a government's investments with a single issuer. Through its investment policy, the County places limits on the amount the government may invest in any one issuer, along with the minimal capital strength



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Notes to the Basic Financial Statements  
For the year ended September 30, 2006

of  
**(2) Cash and Investments, continued**

those issuers. There are also limits as to the use of specific types of instruments, along with limits upon use of a single institution. These limits are as follows:

Limits using capital strength test – Maximum investment is 25% of combined capital and surplus position of that financial institution.

Limits based upon use of specific instruments –

Investment Type	Limit	Actual at Year-End
Bankers' acceptances	50%	0.0%
Repurchase agreements	25	0.00
U.S. government	100	0.00
Commercial paper	60	7.32
Money market funds, mutual funds and investment pools	50	37.58
Certificates of deposit (bank)	50	41.91
Certificates of deposit (credit union)	10	0.00
Certificates of deposit (savings and loan associations)	10	2.87

County limits based on use of a single issuer –

Investment Type	Limit
Bankers' acceptances	25% of total portfolio
Repurchase agreement	10% of total portfolio
Certificates of deposit (bank)	33% of total portfolio
Certificates of deposit (S&L)	5% of total portfolio

Actual year-end investments in a single issuer, subject to limitations, exceeding 5% of total primary government investments (non-fiduciary) are as follows:

Issuer	Investment Type	Fair Value	Percentage of Portfolio	Rating
Charter One Bank	Certificate of deposit	\$22,826,958	7.85%	A-1+, F1+
Comerica Bank	Certificate of deposit	21,218,168	7.30	A-1, F1
J.P. Morgan Chase	Certificate of deposit	51,567,041	17.74	A-1+, F1+
Daimler Chrysler	Commercial paper	15,913,626	5.47	A-2, P-2

*Interest Rate Risk* – Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The County's investment policy addresses this risk by limiting the maturities on investments:

Fund/Fund Type	Maturity Maximum
General Fund, Operating Funds	One Year
Debt Service, Special Assessment, Nonexpendable Trust Funds	Five Years
Delinquent Tax Revolving Fund	Four Years
Funds subject to federal arbitrage restrictions	Varies

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**(2) Cash and Investments, continued**

The County's investment policy also dictates that for operating funds, investment maturities shall be scheduled to coincide with projected cash flow needs, according to the following general guidelines:

<u>Length of Maturity</u>	<u>Percent of Portfolio (minimums)</u>	<u>Actual at year-end</u>
Under 30 days	10%	98.35%
Under 90 days	25%	100.00
Under 270 days	50%	100.00
Under one year	100%	100.00

At year-end, the average maturities of investments subject to interest rate risk are as follows:

	<u>Fair Value</u>	<u>Avg Days to Maturity</u>
Commercial paper	\$ 21,288,994	16.96
Cash/investments not subject to interest rate risk:		
Cash on hand	281,507	
Certificates of deposit and demand deposits	160,200,942	
Money market funds	<u>109,254,317</u>	
Total primary government (non- fiduciary) deposits and investments	<u>\$ 291,025,760</u>	

Cash and investments in the pooled accounts are allocated to the respective County funds and accounts based on an internal ledger system maintained by the County Treasurer. At September 30, 2006, the Building Authority's pooled cash and investments totaled \$9,704,428. No pooled amounts are directly attributable to a specific bank account or investment.

**(3) Leases Receivable**

The Authority's leasing operations consist of leasing of facilities for use by the County or any of its agencies under direct financing arrangements expiring in various years through 2019.

Following is a summary of the components of the Authority's net investment in direct financing leases at September 30, 2006:

**(3) Leases Receivable, continued**

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Total minimum lease payments to be received	\$ 114,789,800
Less - unearned income	<u>27,004,800</u>
Net leases receivable	<u><u>\$ 87,785,000</u></u>
Statement of Net Assets classification:	
Current portion of leases receivable	\$ 9,860,000
Long-term portion of leases receivable	<u>77,925,000</u>
Total	<u><u>\$ 87,785,000</u></u>

Minimum lease payments to be received from the County as of September 20, 2006, is as follows:

	<b>Series 1994A</b>	<b>Series 1996A</b>		
	<b>Bonds</b>	<b>Bonds</b>	<b>Total</b>	
2007	10,855,773	3,850,390	\$ 14,706,163	
2008	10,832,681	3,854,490	14,687,171	
2009	10,803,150	3,850,190	14,653,340	
2010	10,789,650	3,854,033	14,643,683	
2011	3,698,500	3,857,700	7,556,200	
2012-2016	18,348,234	19,357,937	37,706,171	
2017-2019	<u>10,837,072</u>	<u>-</u>	<u>10,837,072</u>	
Total minimum lease payments	76,165,060	38,624,740	114,789,800	
Less: Amount representing interest	<u>(17,760,060)</u>	<u>(9,244,740)</u>	<u>(27,004,800)</u>	
Present value of the minimum lease payments	<u><u>\$ 58,405,000</u></u>	<u><u>29,380,000</u></u>	<u><u>\$ 87,785,000</u></u>	

**(4) Interfund Transfers and Balances**

At September 30, 2006, no interfund balances existed. During the year, the Building Authority Capital Projects Fund transferred \$3,246,098 to the County's General Fund for improvements to various Wayne County buildings.

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**(5) Debt and Other Obligations**

The details of the Authority's long-term obligations at September 30, 2006, are as follow:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts due within one year</u>
Bonds payable:					
Series 1994A, (excluding Warren Valley Golf Course) 2.80% to 6.125% due serially to December 2018	\$ 62,773,000	-	(7,070,000)	\$ 55,703,000	\$ 7,449,000
Series 1996A, 4.00% to 6.50% due serially to June 2016	31,510,000	-	(2,130,000)	29,380,000	2,265,000
Series 1994A, (including Warren Valley Golf Course), 3.50% to 6.125% due serially to December 2018	2,842,000	-	(140,000)	2,702,000	146,000
Bond discounts	(1,047,372)	81,613	-	(965,759)	(81,613)
Deferred amount on refunding	(2,521,720)	186,794	-	(2,334,926)	(186,794)
Total bonds payable	<u>\$ 93,555,908</u>	<u>268,407</u>	<u>(9,340,000)</u>	<u>\$ 84,484,315</u>	<u>\$ 9,591,593</u>

In March 1994, the Authority issued \$105.9 million in Series 1994A, refunding bonds, with an average interest rate of 5.8 percent. Of the proceeds from the bonds, \$97.6 million was used to advance refund \$97.2 million of existing bonds. \$5.0 million of it was used to finance improvements to the County's Youth Home and to demolish abandoned County buildings. The remaining \$3.3 million of proceeds from the bonds were used to finance a clubhouse at the Warren Valley Golf Course. The lease payments for the clubhouse are paid from the revenues of the golf course. The County has pledged its full faith and credit for these bonds, subject to certain limitations

In November 1996, the Authority issued \$45.0 million in Series 1996A debt with an average interest rate of 5.8 percent to finance construction of the Wayne County Juvenile Detention Facility, as well as other capital projects. These bonds are payable by the Authority solely from rental payments to be made by the County and from funds relating to this issue held by the Trustee. The County's obligation to make the rental payments is a limited tax general obligation supported by the full faith and credit of the County, subject to certain limitations.

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**(5) Debt and Other Obligations, continued**

The annual requirements to pay principal and interest on the debt outstanding as of September 30, 2006 are as follows:

	<u>Series 1994A Bonds</u>			<u>Series 1996A Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 7,595,000	3,260,773	\$ 10,855,773	\$ 2,265,000	1,585,390	\$ 3,850,390
2008	8,015,000	2,817,681	10,832,681	2,405,000	1,449,490	3,854,490
2009	8,470,000	2,333,150	10,803,150	2,545,000	1,305,190	3,850,190
2010	8,980,000	1,809,650	10,789,650	2,685,000	1,169,033	3,854,033
2011	2,225,000	1,473,500	3,698,500	2,835,000	1,022,700	3,857,700
2012-2016	13,215,000	5,133,234	18,348,234	16,645,000	2,712,937	19,357,937
2017-2019	<u>9,905,000</u>	<u>932,072</u>	<u>10,837,072</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 58,405,000</u>	<u>17,760,060</u>	<u>\$ 76,165,060</u>	<u>\$ 29,380,000</u>	<u>9,244,740</u>	<u>\$ 38,624,740</u>

	<u>Total Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 9,860,000	4,846,163	\$ 14,706,163
2008	10,420,000	4,267,171	14,687,171
2009	11,015,000	3,638,340	14,653,340
2010	11,665,000	2,978,683	14,643,683
2011	5,060,000	2,496,200	7,556,200
2012-2016	29,860,000	7,846,171	37,706,171
2017-2019	<u>9,905,000</u>	<u>932,072</u>	<u>10,837,072</u>
Totals	<u>\$ 87,785,000</u>	<u>27,004,800</u>	<u>\$ 114,789,800</u>

At September 30, 2006, bond discounts and related accumulated amortization were \$1,960,592 and \$994,833, respectively. At September 30, 2006, bond issuance costs and related accumulated amortization were \$3,048,473 and \$1,546,105 respectively. At September 30, 2006, the loss on refunding and related accumulated amortization was \$4,669,852 and \$2,334,926, respectively.

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**(6) Risk Management**

The Authority is self-insured for general liability and other similar claims. Other claims consist of property damage and minor auto damage claims. They are considered general long-term liabilities and recognized in the government-wide financial statements. The amount of claims liability is based on analyses performed and includes an estimate of incurred claims that have not yet been reported. The County purchases commercial insurance for claims in excess of self-insurance coverage and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three years.

A reconciliation of the County's self-insured claims liability at September 30, 2006 follows:

Claims liability, September 30, 2004	\$	75,000
Claims incurred during fiscal year 2005		99,207
Payments on claims		<u>(99,207)</u>
Claims liability, September 30, 2005		75,000
Claims incurred during fiscal year 2006		218,025
Payments on claims		<u>(218,025)</u>
Claims liability, September 30, 2006	\$	<u><u>75,000</u></u>

**(7) Commitments and Contingencies**

The County is a defendant in a number of lawsuits and claims, and is involved in other disputes, which have resulted from providing services to citizens of the County. The ultimate effect of the unrecorded amount and resolution of these matters on the financial statements of the Authority's operations, in the opinion of the County, are not expected to be material.

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Required Supplementary Information (Unaudited)  
Budgetary Comparison Schedule  
For the Year Ended September 30, 2006

	General Operating Fund				Debt Service Fund			
	Original Budget	Final Amended Budget	Actual	Variance Over (Under)	Original Budget	Final Amended Budget	Actual	Variance Over (Under)
Revenues:								
Buiding rents	\$ -	-	-	\$ -	\$ 14,736,500	14,736,500	14,735,548	\$ (952)
Interest income	-	-	-	-	300	300	300,593	300,293
Total revenues	-	-	-	-	14,736,800	14,736,800	15,036,141	299,341
Expenditures:								
Contractual services	-	-	45	45	300	300	-	(300)
Debt service:								
Principal	-	-	-	-	9,340,000	9,340,000	9,340,000	-
Interest	-	-	-	-	5,396,500	5,396,500	5,400,548	4,048
Total expenditures	-	-	45	45	14,736,800	14,736,800	14,740,548	3,748
Revenues over (under) expenditures	-	-	(45)	(45)	-	-	295,593	295,593
Fund balances at October 1, 2005	45	45	45	-	5,644,456	5,644,456	5,644,456	-
Fund balances at September 30, 2006	<u>\$ 45</u>	<u>45</u>	<u>-</u>	<u>\$ (45)</u>	<u>\$ 5,644,456</u>	<u>5,644,456</u>	<u>5,940,049</u>	<u>\$ 295,593</u>

See accompanying note to the required supplementary information.

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Note to the Required Supplementary Information  
For the Year Ended September 30, 2006

**(1) Budgets and Budgetary Accounting**

Budgets shown in the financial statements for the General Operating and Debt Service funds were prepared on the modified accrual basis used to reflect actual results. Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

The County Executive prepared and submitted a proposed operating budget during June 2005 to the County Commission for the year beginning October 1, 2005. After public hearings to obtain taxpayers' comments, the County Commission legally enacted the budget through passage of an ordinance (annual appropriations ordinance). The legal level of budgetary control for the General Operating and Debt Service funds is at the fund level. Supplemental appropriations to the County's expenditure budget require the approval of the County Commission. Certain transfers within line items that do not affect aggregate expenditures may be made without Commission approval. Expenditures are required to remain within appropriated revenues. There were no significant amendments to the budget for the year ended September 30, 2006.

For budgetary purposes at year end, encumbrances of the budgeted governmental funds, representing purchase orders, contracts and other commitments, lapse and must be re-appropriated in the following year. All unencumbered appropriations lapse at the end of the year.